

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JUN 3 1982

Dear Sir or Madam:

We have considered your application for recognition of exemption from, Federal income tax as a Business League described in section 501(c)(6) of the Internal Revenue Code.

The information you submitted discloses that you are incorporated as a non-stock corporation under the provisions of [REDACTED]. The purpose for which you are organized is to act as a non profit corporation through which payment shall be made for common advertising and promotional activities purchased from and supplied by others to promote the sale of [REDACTED] Cars and/or Trucks by authorized [REDACTED] dealers.

You are a membership organization. Any person, firm, or Corporation holding a direct dealer arrangement with [REDACTED] to sell [REDACTED] cars and/or trucks in the [REDACTED] Sales Zone is eligible for membership. Any member of the corporation shall ipso facto cease to be a member therein in the event he shall cease to have in effect such direct dealer agreement with [REDACTED], and thereafter he shall not further rights whatsoever in or to any assets or property of the Corporation.

Your income is derived solely from your members. Each member contributes to the Corporation \$[REDACTED] for each [REDACTED] car and/or truck purchased by such member from [REDACTED] and its authorized Truck Center or such other amount as shall be determined from time to time by the affirmative vote of two-thirds of the members. No other dues shall be payable by or collected from any member of the Corporation.

Your sole activity is the sponsorship of a joint advertising program for your members. Your income is used only to pay for [REDACTED] advertising and promotional activities purchased from and supplied by others of such types as shall be determined from time to time by the Board of Directors.

All funds spent for advertising purposes shall be equitably expended for the benefit of each member.

Section 501(c)(6) of the Internal Revenue Code provides for the exemption from Federal income tax of business leagues, Chambers of Commerce, and Boards of Trade not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 67-77, 1967-1CB, 138, held that an organization composed of dealers in a certain make of automobile in a designated area organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile was not entitled to exemption under section 501(c)(6). The rationale of this denial of exemption was that the organization was performing particular services for its members.

Revenue Ruling 68-182, 1968-1, CB 263, states that it is the position of the Internal Revenue Service that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

Revenue Ruling 64-315, 1964-2 CB 147, involved an association of merchants whose businesses constituted a shopping center. This organization exclusively spent its funds in advertising in various newspapers and on radio and television in order to attract customers to this shopping center. The advertisements contained the names of member merchants and their merchandise. This organization was denied exemption under section 501(c)(6). It was stated that the advertising program as stated above constituted the performance of particular services for members rather than an activity directed to the improvement of business conditions generally as required by the applicable regulations.

From the information you have submitted, and which has been cited in this letter, your organization is similar to the organization in

Revenus during 67-77 above. Also by promoting only a brand name product you are not promoting a line of business but are performing particular services for your members. It is therefore concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. It has also been determined that you do not qualify for tax exempt status under and other section of the Code.

You are required to file Federal income tax returns on Form 1120. The Return for the year 1981 should be filed with your key District Director for exempt organization in Baltimore, Maryland, within 60 days of the date of this letter, unless a request for an extension of time is granted. File Returns for later tax years with the appropriate service center indicated in the instructions for those returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

District Director